Duke Benefits in Retirement
Topics we’ll cover today

• Life Insurance
• Education Benefits
• Retiree Health/Dental Insurance (Rule of 75)
• Duke Retirement Plans
Life Insurance

• Basic Life ($10,000)
  – Convert to a whole life policy at retirement by contacting MetLife at 919-605-0488
  – Rates based on age at retirement
Life Insurance

• Supplemental Life
  – If enrolled for at least two years at time of retirement, you may continue current coverage until age 95 at Duke’s group retiree rates
    • Retiree rates are higher than the rates for active employees
  – Term life insurance
  – Rates increase as you get older
  – Contact Mercer Voluntary Benefits at 800-552-9670 to continue coverage

• Universal Life
  – Contact the Holroyd Agency at 919-755-8684 or North Carolina Mutual at 800-635-4467 about your options
  – Potential for cash accumulation
Post Retirement Certificate

• $2,500 benefit payable to spouse/estate
• To qualify must meet ALL of the following:
  – Hired at Duke prior to December 1, 1974
  – Participated in Duke’s group life insurance plan for at least ten years
  – Retire at age 65 or older
• Certificate issued after retirement
Education Benefits

• Children’s Tuition Grant Program
  – Must be eligible for Tuition Grant at time of retirement and
    • Meet Rule of 75 (age plus most recent continuous service date )
      OR
    • Retire on or after age 65
Retiree Health/Dental Insurance

• Am I eligible?
• How much will it cost?
Retiree Health/Dental Insurance

• Must be actively employed at Duke and participating in the health/dental plan at the time of retirement
• Dependents must be enrolled at the time of retirement
• Meet the eligibility requirements for your operating entity
Retiree Health/Dental Insurance Eligibility

• University and Medical Center Employees
  – Meet the Rule of 75 (age plus most recent continuous service date)

If you transferred from the Health System to the University/Medical Center after July 1, 2002 refer to the Retirement Planning Guide for additional eligibility requirements
Retiree Health/Dental Insurance Eligibility

• Duke University Health System Employees
  – Employees hired prior to July 1, 2002
    • Meet Rule of 75
  – Employees hired on or after July 1, 2002
    • Must have 15 years of continuous service after age 45

If you transferred from the University/Medical Center to the Health System after July 1, 2002, refer to the Retirement Planning Guide for additional eligibility requirements.
Retiree Health/Dental Insurance Premium Contributions

• Health insurance
  – Varies, based upon date became eligible for retiree health (Duke contributes 0%, 60%, 70% or 80% towards cost for individual premium under Duke health plan)*

• Dental insurance
  – You are responsible for paying the retiree dental insurance premium

* If you qualify for a contribution towards your retiree health coverage, then Duke contributes 50% towards the health premium for dependents.
Ineligible for Retiree Health/Dental Insurance

- Coverage through COBRA
  - Must be participating in health and/or dental plan(s) at time of retirement
  - Extends coverage for 18 months
  - Total premium plus 2%
  - Billed monthly
Health Insurance for Retirees

• Are you or any of your covered dependents age 65 or older?
  – No, then you will have the same health insurance options as active employees until obtaining age 65
    • Duke Select
    • Duke Basic
    • Blue Care
    • Duke Options

  – Yes, then the person that is age 65 or older is required to enroll in Medicare A and B. Medicare will become the primary insurance and Duke Plus (the retiree plan) is secondary for anyone over age 65. If you are under 65, then Duke Plus is primary
Provider Networks for Duke Plus (Retiree Plan)

• If you are Medicare-eligible, you may visit any doctor you choose. However, you will receive in-network benefits if you see a provider that accepts Medicare. (Most Duke providers accept Medicare)

• Participants not eligible for Medicare may use any health care provider, but will realize increased savings by using a provider that participates in the UHC Choice Plus Network through United Healthcare.

• All claims incurred outside of the United States are paid at an out-of-network benefit level.
Duke Plus (In-Network Benefits) - 2018

• Doctor’s office visit, you pay ...
  – Primary Care Physician (PCP) - $20
  – Specialist $55
  – or less after Medicare payment

• Inpatient hospital admission, you pay ...
  – $600 co-pay per admission at Duke, Duke Regional or Duke Raleigh
  – $700 co-pay per admission for all others in-network

• Inpatient skilled nursing facilities, you pay...
  – $250 co-pay per admission
Pharmacy Benefits

• Retail Pharmacy
  – 34 day supply

• Home Delivery (mail order)
  – 90 day supply

• You can save money with:
  – Home delivery
  – Generics
  – Formulary
Maintaining your Retiree Health Insurance

• Your health and/or dental coverage will be terminated if you do not make a timely premium payment.
  • No need to worry - Premiums can be directly drafted from your bank account or deducted from your Employees’ Retirement Plan benefit
  • Medicare Part B premiums can be deducted from your social security retirement benefit

• Remember - You cannot re-enroll in retiree health and/or dental if you cancel coverage.
  • Exception: You may suspend health or dental coverage while employed and receiving benefits from a new employer
    (must re-enroll in Duke Plan within 30 days of loss of other employer’s coverage)
Retiree Health/Dental – Surviving Spouse

• Surviving Spouse is eligible to continue coverage until:

  – Death

  – RemARRiage

  – Non-payment of premiums
Other Benefits

- Personal Casualty Insurance (MetPay)
- Personal Accident Insurance (Mutual of Omaha)
- Duke University Federal Credit Union
- University Athletic Facilities
- Duke University Retiree Association (DURA)
- Osher Lifelong Learning Institute at Duke (OLLI)
- Duke Libraries (paper resources)
Where will your money come from once you retire?

- Social Security
- Personal Savings
- Employer Retirement Plans
What’s Your Goal?

Financial experts estimate that you will need about 75% of your pre-retirement earnings to maintain your current lifestyle.

Consider This

• Will you have a house payment when you retire?

• What activities do you want to do when you retire? (i.e. – travel)
Duke Retirement Plans

• Non-exempt employees:
  – Employees’ Retirement Plan (ERP)
    • Fully funded by Duke
  – Faculty and Staff Retirement Plan
    • A 403(b) plan
    • Employee contributions

• Exempt employees:
  – Faculty and Staff Retirement Plan
    • A 403(b) plan
    • Employer contributions
    • Employee contributions
Did you transfer from one payroll to another?

**Biweekly to Monthly or Monthly to Biweekly**

- You may be entitled to a benefit under the Employees’ Retirement Plan (ERP) for employees paid biweekly.

- If you are entitled to a benefit, this benefit is calculated using your years of service and compensation while you were paid biweekly.

- An estimate of this benefit will appear on your annual benefits statement.
How Your Benefits Grow

ERP
• Benefits vary according to:
  o Your pay
  o Years of service
  o Age at retirement

Faculty/Staff Plan
• Benefits rise and fall with investment performance
403(b) Retirement Plan

• You may contribute on a pre-tax basis, Roth after-tax basis or a combination of both
  o For pre-tax contributions, contributions and earnings are taxed when withdrawn
  o For Roth after-tax contributions, taxes are paid now and contributions and earnings may be tax-free at withdrawal

• You contribute by payroll deduction

• You choose where to invest contributions and how much to contribute
How much can you contribute?

• Minimum
  – 1% of salary per pay (biweekly or monthly)

• Maximum
  – 80% per pay period up to the IRS Limit of $18,500 for 2018
  – If you are over the age of 50 you may contribute an additional $6,000 into your 403(b) account for a total of $24,500
  – If you have more than 15 years of service you may be eligible to contribute an additional $3,000 into your 403(b) account for 2018 (Please consult Benefits at 919-684-5600 to inquire about eligibility for the 15-year special election)
Faculty & Staff Retirement Plan – 403(b) Plan (Exempt staff)

The 2018 Duke contribution formula is:

8.9% of the first $64,000 of salary and
13.2% of annual salary in excess of $64,000
Up to a statutory limit of $275,000

Example with $80,000 salary:

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<tbody>
<tr>
<td>8.9%</td>
<td>First $64,000 of salary</td>
<td>$5,696.00</td>
</tr>
<tr>
<td>13.2%</td>
<td>Remaining $16,000 of salary</td>
<td>$2,112.00</td>
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<tr>
<td>Total in 2018</td>
<td>$80,000</td>
<td>$7,808.00</td>
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Learning More About Retirement Benefits at Duke

• Annual Personal Benefits Statement from Duke

• For 403b information, log on to Retirement Manager at: hr.duke.edu/retirementmanager

• Estimate your pension benefit from the Employees’ Retirement Plan (ERP) at: hr.duke.edu/erpestimate

• One-on-one meeting with your retirement service provider

• Quarterly statement from your retirement service provider

• Review “Retirement Planning Guide” on the Duke Human Resources website
To Do List …

• Review your personal retirement information
• Meet with your retirement service provider
• Review your retirement investment choices for diversification
• Consider increasing your contribution
Employees’ Retirement Plan

• One of the retirement plans for biweekly employees
  – Duke pays the entire cost – you pay nothing
  – The retirement benefit is based on a defined formula
  – You are guaranteed a benefit from the plan after completing five years of continuous service
Definitions

• Continuous Service
  – Work 1,000 hours or more in a fiscal year (July 1 to June 30)

• Credited Service
  – Years of Continuous Service after becoming a Plan member
Eligibility

• You automatically become a plan member, if you:
  – Have reached age 21, and
  – Have worked at least 1,000 hours during your first year of employment or in any future fiscal year
How the Benefit is Determined

• ERP-Defined Formula
  – Salary (average final earnings)
  – Years of credited service
  – Age
  – Retirement option selected
ERP Formula

1.25% of average final compensation TIMES
years of credited service up to 20 years
PLUS
1.66% of average final compensation TIMES
years of credited service over 20
Additional Credited Service

• Must be paid on the biweekly payroll at the time of retirement

• Additional Credited Service based on this formula:

  Your unused sick or carry-over bank (COB) hours
  2080
When can I start to receive a benefit?

• Normal Retirement
  – Age 65 – full benefit

• Early Retirement
  – Age 45 or older and 15 years of credited service
    • Reduced based on age at time benefit starts

• Deferred Retirement (working at Duke past age 65)
  – Additional 10% for extra credited service over age 65
What are my payment options?

• Single Life Annuity
• Joint and Survivor Annuity (50%, 75%, or 100%)
• Level Income age 62 or 65
• If lump sum value is less than $10,000 you may be eligible for a lump sum payment

Payments under the Employees’ Retirement Plan are considered taxable income
Example – Employee Retiring at Age 65

**ERP Income**

- Average final compensation
  
  $36,120

- 30 years of credited service

  \[
  1.25\% \times 20 \times \$36,120 = \$9,030 \\
  1.66\% \times 10 \times \$36,120 = \$5,996 \\
  \]

  Annual benefit = \$15,026

  Monthly benefit = \$1,253

**Total Monthly Income $3,229**

**Replacement Ratio 97%**
Example – Employee Retiring at Age 62

**ERP Income**

- Annual benefit at age 65 is $15,026
- Less 3% reduction for each year between age 62 & 65

\[
9\% \times \$15,026 \quad \text{=} \quad $1,352
\]

Annual benefit $13,674

Monthly benefit $1,140

**Total Monthly Income $2,730**

**Replacement Ratio 82%**

Age 62 ERP

3% Optional Savings

Duke ERP

Social Security